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Report Highlights:

The Turkish Livestock sector continues to decline and there are insufficient government and private sector funds to support it. Although domestic demand is high, cattle imports have been muted. This is due primarily to the current economic crisis as well as the ban on imports from BSE- affected countries. The government continues to prohibit imports of meat and beef/fattening cattle. In addition, imports of beef are prohibited as a way of protecting Turkey's domestic industry despite demand for high-quality beef, particularly in the tourist industry.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

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Executive Summary

The Turkish livestock sector continues to decline, primarily due to the economic crisis.

Most cattle in Turkey are dual-purpose animals with production occurring throughout the country. However, cattle in eastern Turkey generally are grazed on public rangeland and tend to be raised for beef production, while cattle in western Turkey are fed more grains and mixed feeds and tend to be raised for milk production. Less than half the herd consists of native breeds. About 15 percent are imported purebred cattle with the remainder a variety of crossbreeds.

The ban on breeding cattle imports was removed in August 1999. Although all farms can submit applications for import licences, the Ministry of Agriculture and Rural Affairs (MARA) only considers applications from farms which require at least 100 head. The government of Turkey (GOT) does not provide financial support or subsidies to importers who, as a result, must use commercial sources to finance the imports. Since the ban was lifted, a total of more than 4,100 head of breeding cattle have been imported. Most farmers have a few head for their domestic production of milk, butter, yogurt, etc. Only few farmers have commercial dairy farms or feedlots.

All GOT financial support provided to the Turkish livestock sector is governed by the Livestock Development Project which was published in June 2000. In 2001 the GOT provided the livestock sector TL 33 trillion in 2000 and TL 45 trillion in 2001. TL 70 trillion in support are planned for 2002 (about USD 45 million).

There are no duties on breeding-cattle imports. Duties have been slightly reduced to 138 % from 139.5% for feeder and slaughter cattle and to 230 % for beef and veal from 232.5%. However, import licences are only available for breeding cattle.

Livestock statistics are the subject of much debate in Turkey, although the declining trend in herd size is clear. It is generally assumed that official statistics (registered slaughter from the large commercial processing facilities) account for about 70 percent of total production, while 30 percent of production is unreported. However, since commercial operations have an incentive to under-report slaughter to avoid taxes, an even larger percent of meat production may go unreported. Beef and veal production statistics are equally uncertain. Production estimates used in this report are based on the above assumptions.

The Turkish government does not permit the importation of any beef or veal as a way of protecting its domestic industry despite demand for high-quality beef, particularly in the tourist industry.

(The exchange rate as of 9/16/02 USD 1.00 = TL 1,675,000)

Production

Most cattle in Turkey are dual-purpose animals with production occurring throughout the country. Cattle in eastern Turkey generally are grazed on public rangeland and tend to be raised for beef production (with milk production used mainly for home consumption), while cattle in western Turkey are fed more grains and mixed feeds and tend to be raised for milk production. Less than half the herd consists of native breeds in Turkey. About 15 % are imported purebred cattle and the remainder comprises a variety of crossbred cattle. There has been a trend toward increased use of western purebred and crossbred cattle.

In the mid 1970s, Turkey used to maintain large cattle and sheep herds -- about 16.6 million cattle and buffalo, and 65 million sheep as well as ordinary goats and Angora goats. Since then, however, their numbers have significantly declined. The primary reason was the unsettled situation in eastern Turkey, where the bulk of the beef, veal, lamb, mutton, and goat meat were produced. Political, economic and social problems in this area led to large scale urban migration and significant disruption of livestock production.

There are several other reasons for the decline in numbers and/or yields. Although most domestic breeds were well-adapted to local conditions and are considered dual purpose animals, the genetic base of domestic breeds could not compete with the meat and milk yields of western breeds. Some sources estimate the cow/calf ratio at 65 percent, meat yields of Turkish cattle at around 150 kilograms, and average milk yields at around 2,000 MT. These have been improving in recent years as livestock activities shift to western Turkey, but are still very low compared with developed countries. Beef and veal production has declined recently parallel to the decline in the number of animal slaughtered, even though the yield per animal improved slightly.

Turkish herds are characterized by a high incidence of disease and mortality, and a low fertility rate. Because of its geographical location, Turkey is very susceptible to a variety of contagious animal diseases due, in part, to contact with cattle from neighboring countries -- Foot and Mouth (FMD) disease being the most prevalent. One of the GOT's justifications for banning livestock imports was an outbreak of FMD in Thrace in 1996. Imported cattle were considered to be extremely vulnerable to infection and able to spread diseases more rapidly. Although the FMD outbreak in Thrace was brought under control by December 1996, the ban was extended through August 1999. In August 1999, the Minister of Agriculture announced that he would allow breeder cattle imports, but the ban was maintained for feeder and slaughter cattle.

There are eight Veterinary Research Institutes (VRI) in Turkey which test for all animal diseases in their laboratories. Pathologic controls are undertaken at all of them, while the Etlik VRI, acting as a reference laboratory, does duplicate tests. Several veterinarians who have been trained in France and Netherlands on BSE work at Etlik and Pendik VRI. The government has initiated projects to support Pendik and Konya VRI for speedy diagnostic techniques, especially for BSE. MARA is hoping to receive some support from the Netherlands for these projects. During the past two years, stricter controls on smuggling cattle at the borders somewhat lessened animal health problems.

The Government has maintained strict controls on imports and will only accept applications for import permits from dairy and meat producers who can import at least 100 head of breeding cattle at a time (MARA considers only large commercial farmers are able to provide necessary management skills for these imported cattle). The GOT does not provide direct support for imports. Since September 1999, nineteen commercial farms received import licences for a total of more than 7,200 breeding cattle. Actual imports were about 4,100. To decrease budget requirements, the Ministry of Agriculture (MARA) has not planned to directly import and distribute breeding cattle in recent years, as was done in the past.

MARA's General Directorate of Organization and Support Services continues to provide permits to Village Development Cooperatives (VDCs) for tenders for dairy and/or dual purpose breeding cattle, such as Holstein Friesian, Brown Swiss or Simmenthal. The VDCs have been procuring heifers from local sources, mainly from the members of the Turkish National Breeders Association. The number of heifers procured was very limited last year due to the lack of financial resources.

Animal nutrition in Turkey is generally poor. Unless fed in commercial feedlots (most livestock are not), rations often are inadequate. Most livestock generally are grazed on public lands on a first-come first-serve basis, and provided with little or no additional supplements. Supplemental feeding of forages is limited because government production policy favors field crop production. Because grazing is unregulated, public lands tend to be severely over-grazed which only further aggravates the problem. The GOT has been trying to control the problem. Four years ago it passed a Meadow Law to regulate and improve public pastures and meadows, but funding and implementation has been lacking. In recent years there has been a trend toward raising cattle in open-air commercial feedlots in western Turkey.

The Livestock Development Project (LDP) was adopted by the GOT two years ago as a way to support livestock activities and revitalize the livestock sector. Increasing production of dairy and beef cattle was the most important component of the project. The Minister of Agriculture made some announcements for government funding of the project in the past two years, however, it has been insufficient in order to achieve LDP's goals.

The regulations for the LDP were published in June 2000. In general, the regulations outlined the incentives provided for fodder crop production, cattle breeding, and artificial insemination. Detailed information on these regulations was provided in the last year's Livestock and Products Annual Report (TU1034). Turkey's economic crisis along with IMF requirements further limited financial resources which could support the program.

Another effort to improve the livestock sector was the establishment of a Dairy Council comprising government and private sector representatives under the Chairmanship of the MARA Undersecretary. The Council was formed to eliminate the marketing problems of milk producers. However, the Council has not been particularly effective. To encourage production, producers who deliver milk to modern processing facilities are provided premiums of TL 10,000 (currently about USD 0.006) per liter since their production must be at higher quality. This support increases to TL 20,000 per liter of milk for milk produced from pedigreed (registered) animals.

The GOT provided farmers TL 300 million (or about USD 185) per cow if it had a pedigree or TL 150 million per cow for high quality, but did not have pedigree (i.e., the animal is known to be pure-bred but father and mother had not been registered). In addition to dairy cows, farmers received TL 20 million per head of feeder cattle in 2000 and 2001. Because most of the funds have been used to support fodder crop producers, no fund was remaining for the feeder cattle support. Farmers submit fodder-crop production proposals to the Ministry of Agriculture. Farmers, whose projects are accepted under the program, are provided 30 percent of their production costs if they produce multi-year fodder crops, such as alfalfa and 20 percent of their production costs if they produce one-year fodder crops, such as corn for silage, vetch, sainfoin, fodder beets, etc.

The uncontrolled movement of animals in Turkey has created many problems and contributed to the spread of diseases to non-affected areas. To combat these problems and monitor movement within Turkey, the GOT published a regulation on June 4, 2000 which required all large ruminants to have I.D. certificates and ear tags. Once the program is implemented (and this was expected to take time), it would also be easier to trace the cattle when they are sold or slaughtered. Progress has been faster for dairy breeding cattle since most of them are either pure bred or crossbred. Other non-pedigreed and non-certified dairy breeding cattle are expected to be certified and ear-tagged in a few years. Registration of dual purpose and beef animals could take much longer. About 600,000 head of cattle already have I.D. certificates and ear tags in Turkey.

The Turkish livestock industry continues to face a combination of challenges. Efforts to support crop production have resulted in domestic grain prices which are considerably above the world market prices and increased feed costs. Turkey's import policy did not encourage the introduction of new technology since imported cattle were given to small farmers who did not have the ability to manage these cattle. As a result, the industry has been slow to modernize. In the past smuggled cattle and meat adversely affected domestic prices, however, government policies initiated in 1999 have effectively solved this problem. The Turkish government does not permit the importation of any beef or veal as a way of protecting its domestic industry despite demand for high-quality beef, particularly in the tourist industry.

Twenty state farms were made available for privatization through joint ventures with private industry over the past two years, although progress has been very slow, primarily due to the economic crisis. Four former state farms are expected to be jointly operated with private partners.

Although these government-run farms were designed to serve as models for dairy production, using modern production techniques and high energy and protein feed mixes, they account for less than one percent of the total dairy population and negligible quantity of total dairy production. After the BSE outbreak throughout Europe, there were suggestions that these farms could serve as a model to produce BSE-free beef for the EU markets.

Consumption

According to the 2000 census, more than 65 percent of Turkey's population now lives in urban areas. Meat consumption has shifted over time from lamb, mutton, and goat to greater consumption of beef, veal and poultry due to changing tastes and costs. Although people migrated from eastern Turkey where lamb and mutton were consumed to the large urban areas of western Turkey, increases in beef consumption were limited by a high rate of inflation and low incomes.

Most of Turkey's commercial slaughter houses and packing plants are now privately owned. The Meat and Fish Corporation (EBK), the only remaining public sector company, was a major player in the past but now handles less than 5 percent of production. Most of EBK's plants have been privatized with the remaining expected to be privatized in the future.

Beef consumption is expected to remain stable for the coming year, although the population is expected to increase about 1.8 percent during the last decade. Due to the reduced supply, beef and veal prices increased significantly during the last year. Carcass meat prices went from TL 2.6 million in August 2001 to over TL 4 million per kg. The retail price of deboned beef is about TL 7,000,000 - 8,000,000 (about USD 4.60) per kg, chopped beef is about TL 9,000,000 - 10,000,000 (about USD 5.80) per kg, and tenderloin and other higher grades of beef are TL 12,000,000 (about USD 7.35) and higher in the retail market in Ankara. A year ago, these prices were about TL 4,500,000, TL 5,250,000, and TL 7,000,000, respectively. Meat prices increased significantly last year after being nearly stable for the previous year due to reduced supplies, even though there was an economic crisis in Turkey which significantly lowered disposable income.

Trade

Prior to the economic crisis, investments in the livestock sector appeared promising, and a couple of new dairy farms, with European cattle, were opened. Historically, Germany was the most significant supplier of breeding cattle to Turkey. After the BSE outbreak, the Ministry of Agriculture banned imports of livestock from all European countries. This potentially provided an opportunity to U.S. suppliers, but as a result of the economic crisis, many companies were unable to raise the necessary capital. Most put their projects on hold until the current economic downturn is reversed. High prices for U.S. cattle and depreciation of the Turkish Lira contributed to the problem (The Turkish Lira depreciated by around 150 percent against the dollar in the past one year and a half). Also, in order to make the shipments economical, large numbers of U.S. cattle would need to be shipped to reduce ocean transport costs. Unfortunately, most Turkish companies can only afford smaller shipments. The GSM-103 export credit guarantee program is available to help finance U.S. breeding cattle exports. However, while there has been interest, prices and freight rates remain prohibitively high.

Farmers and dairy producers who have facilities and want to import 100 head or more of the breeding cattle can apply to the MARA for import permits. During the last three years, 19 commercial farms were issued permits for a little over than 7,200 head of breeding cattle and about 4,100 breeding heifers (about 3,550 from Germany, 350 from Denmark-- before the BSE outbreak announcement, and 231 from the United States) were actually imported since September 1999. After a long break, the Aegean Company bought 231 pedigreed dairy heifers from the United States in August 2001. The low rate of imports reflects reduced investments due to the economic crisis. Also, under the current

Livestock Development Project, the GOT did not provide importers with incentives or subsidies to support imports.

The World Bank is actively supporting a trial income support program for small farmers to decouple agricultural supports from domestic purchase prices. Following its IMF agreement and anti-inflation efforts, the GOT announced slightly lower increases in domestic support prices for grains during the last three marketing years. Both organizations are also promoting the privatization of State Enterprises and Banks.

Stocks

Stock levels are limited because of the Turkish preference for fresh meat. Official statistics are not available.

Policy

Production Policy

Current GOT programs are aimed at increasing private sector involvement in meat marketing and pricing. Some of these programs address basic production problems which included subsidized production credits for improving animal nutrition and genetics as well as encouraging joint ventures and technology transfer. The government has continued to facilitate efforts to eradicate diseases and is involved in subsidizing fodder crop and breeding cattle production and artificial insemination activities.

The GOT also provided funds to the Village Development Cooperatives (VDCs) to support tenders for dairy and/or dual purpose breeding cattle. Currently very few VDCs are procuring cattle because of limited financial resources. The VDC generally purchase cattle locally from members of the Turkish National Breeders Association.

Trade Policy

The GOT has historically “encouraged” the development of domestic meat and dairy sectors by maintaining non-tariff barriers and very high duties on imports of meat and dairy products. Turkey charges much lower duties on inputs that it considers as vital to these industries, such as breeding cattle and genetics which have zero duties.

The EU and Turkey implemented a bilateral agreement in May 1998 under which Turkey would provide the EU with improved access for cattle, beef and dairy products. Under the agreement, Turkey provided the EU with permanent zero duty access for breeding cattle, a 19,000 MT beef tariff-rate quota at an eventual duty of 42 percent, and small tariff rate quotas for various dairy products. However, under pressure from Turkish private sector, and to the chagrin of EU member countries, the MARA refused to issue the import permits. Observers believe that this is one of many concessions that Turkey will have to make to gain full membership in the European Union. With the BSE outbreak in many countries, the EU stopped putting pressure on Turkey to lift the ongoing beef import ban.

Turkey had also signed, but not implemented, trade agreements with Romania (1,000 MT reduced duty TRQ for beef and 5,500 head reduced duty TRQ for feeder cattle) and Hungary (500 MT TRQ

for beef and 4,000 head TRQ for feeder cattle).

Only slaughter male or infertile female cattle (local breeds weighing an average of 225 kilograms and crossbreeds weighing an average of 300 kilograms) may be exported any time with an export license from the Ministry of Agriculture.

The official import duties for breeding, feeder, and slaughter cattle and beef in 2002 follow:

Tariff Number	Product Description	Import Duty	Other Information
0102.10	Breeding cattle	0	For all origins
0102.90	Feeder and slaughter cattle	138 % of the CIF value	70 % for Lithuania and 115 % for Estonia.
0201 & 0202	Fresh, chilled or frozen bovine meat	230 % of the CIF value	The rate is 200 % for Estonia.

Official import duties for feeder and slaughter cattle and beef were reduced slightly in 2002. However, no permits were issued since these imports are banned.

Marketing

In 1999 the import ban was removed and large farmers and producers became eligible for breeding cattle imports. If the economy improves and the GOT provides funding, market opportunities for cattle, genetics and feed would greatly improve.

There are no specialized beef breeds in Turkey, but the demand for high quality beef is growing because of the growing tourism sector. Under a U.S. Quality Samples Program, U.S. beef breeds were introduced and 27 females and three bulls were delivered to a potential importer two years ago.

The FY 2002 GSM-103 program for Turkey was announced at USD 5 million. Turks are generally familiar with the quality of U.S. cattle and growing numbers of producers are becoming interested in U.S. livestock, not only because of their genetic superiority but also due to concern over BSE in Europe.

U.S. cattle exporters and associations were active in promoting sales of the U.S. cattle to Turkey, although there have been fewer visits during the last couple of years. The U.S. Grains Council, American Soybean Association, and National Renderer's Association organize programs which assist the livestock sector. The Cochran program also funds short term training opportunities for the sector. Turkish officials and importers are interested in visiting livestock producers and farms in the United States.

Statistical Tables

PSD Table Animal Numbers, Cattle

PSD Table						
Country	Turkey					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	11350	11350	11250	11200	11200	11000
Dairy Cows Beg. Stocks	4100	4100	4100	4050	0	4000
Beef Cows Beg. Stocks	3200	3200	3150	3150	0	3100
Production (Calf Crop)	4250	4200	4150	4100	0	4050
Intra EC Imports	0	0	0	0	0	0
Other Imports	25	0	5	0	0	0
TOTAL Imports	25	0	5	0	0	0
TOTAL SUPPLY	15625	15550	15405	15300	11200	15050
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	2100	2100	2050	2050	0	2000
Other Slaughter	2050	2050	2000	2000	0	1950
Total Slaughter	4150	4150	4050	4050	0	3950
Loss	225	200	155	250	0	200
Ending Inventories	11250	11200	11200	11000	0	10900
TOTAL DISTRIBUTION	15625	15550	15405	15300	0	15050
Calendar Yr. Imp. from U.S.	5	0	3	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table Meat, Beef and Veal

PSD Table						
Country	Turkey					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	4150	4150	4050	4050	0	3950
Beginning Stocks	47	47	47	47	52	37
Production	640	640	640	630	0	620
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	687	687	687	677	52	657
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	640	640	640	640	0	640
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	640	640	640	640	0	640
Ending Stocks	47	47	52	37	0	17
TOTAL DISTRIBUTION	687	687	692	677	0	657
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix for Animal Numbers, Cattle

Export Trade Matrix					
Country	Turkey		Units:		
Commodity	Animal Numbers, Cattle		Partial Begin		
			Partial End		
Exports for:		1	2	0	1
	Full	Full	Full	Partial	Partial
U.S.					
Others					
Total for Others	0	0	0	0	0
Others not Listed					
Grand Total	0	0	0	0	0

Import trade Matrix for Animal Numbers, Cattle

Import Trade Matrix					
Country	Turkey		Units:		
Commodity	Animal Numbers, Cattle		Partial Begin		
			Partial End		
Imports for:		1	2	0	1
	Full	Full	Full	Partial	Partial
U.S.					
Others					
Total for Others	0	0	0	0	0
Others not Listed					
Grand Total	0	0	0	0	0

Export Trade Matrix for Meat, Beef and Veal

Export Trade Matrix					
Country	Turkey		Units:	Metric Tons	
Commodity	Meat, Beef and Veal		Partial Begin	January	
			Partial End	March	
Exports for:	2001	2002	2003	2001	2002
	Full	Full	Full	Partial	Partial
U.S.					
Others					
Serbia	28				14
Macedonia	14				
Northern Cyprus	9				
Malta					1
Total for Others	51	0	0	0	15
Others not Listed	3				1
Grand Total	54	0	0	0	16

Import Trade Matrix for Meat, Beef and Veal

Import Trade Matrix					
Country	Turkey		Units:		
Commodity	Meat, Beef and Veal		Partial Begin	January	
			Partial End	March	
Imports for:	2001	2002	2003	2001	2002
	Full	Full	Full	Partial	Partial
U.S.					
Others					
Total for Others	0	0	0	0	0
Others not Listed					3
Grand Total	0	0	0	0	3